

INFO



ACQUISITION AND
TECHNOLOGY
DP (DAR)

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

November 15, 1996



In reply refer to
DFARS Case: 96-D332
D. L. 96-020

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND **BUSINESS MANAGEMENT**,
ASN (RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING) , **SAF/AQC**
DIRECTOR, PROCUREMENT POLICY, ASA (RD&A)/SARD-PP
DEPUTY DIRECTOR (ACQUISITION), DEFENSE LOGISTICS AGENCY

SUBJECT: Restructuring Costs/Bonuses

We have amended Part 231 of the Defense Federal Acquisition Regulation Supplement (**DFARS**) to implement Section 8095 of the FY 1997 Defense Appropriations Act (Pub. L. 104-208). Section 8095 prohibits the use of FY 1997 appropriated funds to reimburse a contractor for costs paid by the contractor to an employee when such costs are for a bonus or other payment in excess of the normal salary paid by the contractor to the employee, and such bonus is part of restructuring costs associated with a business combination. This prohibition does not apply to severance or early retirement incentive payments.

This interim **DFARS** rule is effective immediately and will be published in a future Defense Acquisition Circular.

Eleanor R. Spector
Director, Defense Procurement

Attachment

cc: DSMC, Ft. Belvoir

ENCLOSURE(1)



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RESTRUCTURING COSTS/BONUSES
DFARS CASE 96-D332

SUBPART 231 .2--CONTRACTS WITH COMMERCIAL ORGANIZATIONS

231.205-6 **Compensation for personal services.**

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- (f)(1) Costs for bonuses or other payments in excess of the normal salary paid by the contractor to an employee, that are part of restructuring costs associated with a business combination, are unallowable under DoD contracts funded by fiscal year 1996 appropriations (Section 8122 of Pub. L. 104-61) [**or fiscal year 1997 appropriations (Section 8095 of Pub. L. 104-208)**]. This limitation does not apply to severance payments or early retirement incentive payments. (See 231.205-70(b) for the definitions of "business combination" and "restructuring costs.")

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